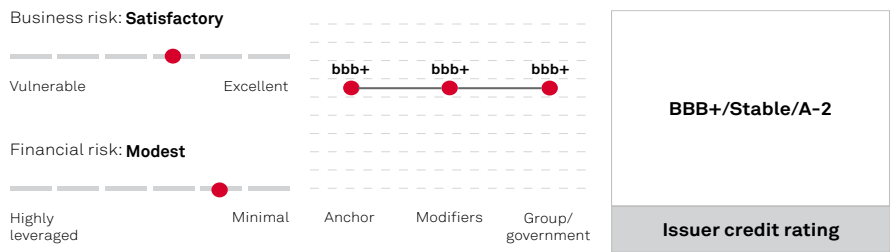


Elisa Oyj

April 15, 2025

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths	Key risks
Leading telecommunications operator in Finland, with market share of 38% in mobile subscriptions and 27% in fixed broadband services. Enjoys a No. 2 position in Estonia, with 35% share in mobile and 23% in fixed broadband segments (by number of subscriptions).	Limited scale and geographical presence versus many European peers, with annual EBITDA of about €765 million in 2024, predominantly generated in Finland.
Largely stable competitive environment in the three-player Finnish and Estonian telecom markets.	Intense competition in parts of the residential broadband and business-to-business (B2B) segments.
Conservative financial policy, targeting net debt to EBITDA of 1.5x-2.0x, translating into S&P Global Ratings-adjusted debt to EBITDA of less than 2x.	Commercial paper maturing in less than 12 months, typically constituting 15%-20% of total debt.
Relatively low capital expenditure (capex) of about 12%-13% of sales, supporting strong free operating cash flow (FOCF), and FOCF to debt of about 25%.	

We expect up to 4% growth in revenue and EBITDA annually, boosted by increasing mobile data consumption and expanding digital services. We forecast revenue from mobile services (excluding equipment sales, roaming, and interconnection) to expand by 5%-6% in 2025-2026,

underpinned by an increase in 5G traffic and customers' willingness to pay for unlimited data and faster internet speeds. In addition to traditional telecom services, Elisa focuses on the development of international digital services, including TV production, software manufacturing, and network automation. The segment contributed 5% of Elisa's revenue in 2024, and the company pursues growth in the division through international acquisitions, which should complement the core telecom operations.

In line with this strategy, in 2024, Elisa divested its majority stake in Videra, a non-core video conferencing service, to concentrate on its software business. The divestment weighed down the topline by about 2%, so Elisa's revenue expanded by only 0.5% in 2024. However, we forecast double-digit growth in digital services for 2025-2026, bolstered by demand and recent acquisitions. In our view, consolidated revenue will likely increase by about 4% in 2025-2026, while the EBITDA margin remains mostly flat at 35%, in line with the management guidance for 2025-2027.

Elisa leads the mobile segment in Finland and enjoys the No. 2 position in Estonia; both markets are competitive, but its footprint remains relatively stable. As of June 2024, Elisa had a 38% share in Finland's mobile subscriber market, ahead of DNA and Telia (data by the Finnish Transport and Communications Agency), and ranked second in fixed services with a 27% share. According to Elisa's estimates, it leads mobile (about 40% of market revenue) and fixed services (almost half of market revenue), thanks to its B2B leadership in both segments.

In Estonia, which accounts for about 10% of Elisa's revenue, the company holds 35% share in mobile services and 23% in fixed broadband, trailing Telia. The Finnish mobile market, particularly Elisa, is characterized by high-quality networks that support the world's leading mobile data usage per user. In 2023, data transferred via mobile networks per capita reached nearly 74 GB per month, up from 58 GB in 2021, on the back of increased data transfer subscriptions and improved 5G coverage.

Elisa's growth prospects in Estonia are also promising, with limited investment needs due to population density, high spectrum availability, and opportunities to monetize increased data consumption in a stable three-player market.

We continue to view the financial policy as prudent and supportive for the 'BBB+' rating. The company has a publicly-defined net debt-to-EBITDA target of 1.5x-2.0x, which aligns with S&P Global Ratings-adjusted leverage of 1.5x-2.0x. We continue to anticipate relatively low capex of about 12%-13% of revenue. This remains lower than that of most European peers (which often spend 18% of revenue on average), thanks to higher population density in Finland (so investments are concentrated in large cities), and efficient spectrum allocation, including a wide availability of spectrum in key bands. Elisa's relatively lower capex to revenue and neutral working capital flows over the medium term result in structurally solid annual FOCF. We forecast that the group will generate FOCF of about €360 million in 2025 and €380 million in 2026, and gradually expand thereafter.

Outlook

The stable outlook reflects our expectation that Elisa will report steady adjusted EBITDA margins of about 35% and revenue growth of about 4% in the next two years, bolstered by higher revenue from mobile and new digital services. We anticipate that adjusted debt to EBITDA will be below 2x and FOCF to debt at about 25%.

Downside scenario

We could lower our ratings if Elisa's EBITDA or FOCF weakens. For example, if intense competition causes a pronounced revenue decline or leads to weaker margins, or if unexpected competitive developments force the company to significantly step up its capex. We could also downgrade Elisa if its adjusted debt to EBITDA increases to 2x or more, or adjusted FOCF to debt declines toward 20% for a prolonged period--for instance, due to debt-financed acquisitions or high shareholder returns.

Upside scenario

Rating upside is remote, given Elisa's limited scale, diversification, and financial policy, under which it targets net debt to EBITDA of 1.5x-2.0x.

Our Base-Case Scenario

Assumptions

- Real GDP growth of 1.6% in 2025 and 1.3% in 2026 in Finland.
- Up to 4% annual revenue growth over 2025-2026, underpinned by continuing 5G momentum and expanding fixed and digital services.
- Stable profitability, with S&P Global Ratings-adjusted EBITDA margins at 35%.
- Capex to sales of about 12% (excluding spectrum payments and one-offs) in 2025-2026, in line with management guidance.
- Dividends at the upper end of Elisa's stated range of 80%-100% of net profit.

Key metrics

Elisa Oyj--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	1,998	2,130	2,181	2,192	2,270	2,357	2,449
Gross profit	1,234	2,130	2,181	2,192	801	832	870
EBITDA	697	739	758	765	799	830	868
Less: Cash interest paid	(17)	(13)	(24)	(33)	(37)	(38)	(39)
Less: Cash taxes paid	(76)	(85)	(82)	(87)	(96)	(100)	(106)
Funds from operations (FFO)	604	642	653	645	666	692	723
Cash flow from operations (CFO)	589	584	639	642	654	680	711
Capital expenditure (capex)	252	263	296	298	281	292	303
Free operating cash flow (FOCF)	337	321	343	344	373	388	408
Dividends	311	328	344	360	377	396	412
Discretionary cash flow (DCF)	26	(7)	(0)	(16)	(4)	(8)	(3)
Debt	1,235	1,291	1,313	1,490	1,515	1,543	1,568
Adjusted ratios							

Elisa Oyj--Forecast summary

Debt/EBITDA (x)	1.8	1.7	1.7	1.9	1.9	1.9	1.8
FFO/debt (%)	48.9	49.7	49.7	43.3	44.0	44.8	46.1
FFO cash interest coverage (x)	35.7	51.9	28.2	20.4	18.9	19.0	19.5
EBITDA interest coverage (x)	44.4	46.5	25.3	18.5	21.3	21.4	22.0
FOCF/debt (%)	27.3	24.9	26.1	23.1	24.6	25.2	26.1
DCF/debt (%)	2.1	(0.6)	(0.0)	(1.1)	(0.3)	(0.5)	(0.2)
Annual revenue growth (%)	5.5	6.6	2.4	0.5	3.6	3.8	3.9
EBITDA margin (%)	34.9	34.7	34.8	34.9	35.2	35.2	35.4

Company Description

Elisa is an incumbent operator in Finland, where it provides fixed and mobile telecom services to consumers (61% of revenue in 2024) and corporate customers (39%), as well as information and communications technology and digital services in adjacent segments. These include information technology (IT) security for enterprise clients or internet protocol TV (IPTV) for consumers. Elisa's 5G network had already covered over 96% of Finnish and 78% of Estonian population by end-2024 , and in international markets the company is primarily represented by its digital services segment. In 2024, it reported revenue of about €2.2 billion and employed 6,700 people in more than 22 countries, with Finland and Estonia being core markets. At year-end 2024, Elisa had about 5.2 million mobile subscribers, of which about 92% were postpaid, and about 1.36 million fixed subscriptions, including about 668,000 in broadband and more than 625,000 in cable TV.

Elisa is listed on the Nasdaq Helsinki Large Cap, with market capitalization of over €7.5 billion as of April 15, 2025. Its largest shareholder is the Finnish government with a 10% stake.

Peer Comparison

Elisa Oyj--Peer Comparisons

	Elisa Oyj	Telenor ASA	Telia Co. AB	Tele2
Foreign currency issuer credit rating	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	BBB/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	BBB/Stable/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2023-12-31	2024-12-31	2023-12-31
Mil.	EUR	EUR	EUR	EUR
Revenue	2,192	7,178	7,778	2,618
EBITDA	765	3,205	2,580	1,051
Funds from operations (FFO)	645	2,763	2,022	874
Interest	41	318	297	95
Cash interest paid	33	259	423	88
Operating cash flow (OCF)	642	2,598	2,240	901
Capital expenditure	298	1,314	1,206	365

Elisa Oyj--Peer Comparisons

Free operating cash flow (FOCF)	344	1,284	1,035	536
Discretionary cash flow (DCF)	(16)	(121)	280	113
Cash and short-term investments	90	1,736	954	155
Gross available cash	90	1,736	1,034	155
Debt	1,490	7,855	6,900	2,909
Equity	1,293	6,284	6,028	2,049
EBITDA margin (%)	34.9	44.7	33.2	40.1
Return on capital (%)	17.8	10.7	7.7	10.0
EBITDA interest coverage (x)	18.5	10.1	8.7	11.1
FFO cash interest coverage (x)	20.4	11.7	5.8	11.0
Debt/EBITDA (x)	1.9	2.5	2.7	2.8
FFO/debt (%)	43.3	35.2	29.3	30.1
OCF/debt (%)	43.1	33.1	32.5	31.0
FOCF/debt (%)	23.1	16.3	15.0	18.4
DCF/debt (%)	(1.1)	(1.5)	4.1	3.9

Business Risk

The Finnish mobile and broadband markets have relatively stable structures, but competition is intermittently intense with price campaigns.

Elisa maintains a leading position in the Finnish three-player mobile market, having extended its 5G coverage to 92% of the Finnish population across more than 200 municipalities. It enjoys a high share of postpaid subscriptions of 92% compared with many European peers. While all three operators have comparable spectrum allocations in key bands, Elisa benefits from the availability of the broadest spectrum. However, the market remains dynamic with an annualized churn rate of 18%-20%, which is at the higher end for peers. The company enjoys a No. 2 position in the more fragmented fixed broadband market, while DNA ranks first and Telia comes third. Competition in fixed broadband remains intense, especially in pockets such as multi-dwelling units. However, because Elisa is more focused than DNA on B2B customers, it ranks first by revenue. Elisa also maintains a No. 2 position in both mobile and fixed segments in Estonia.

In addition to telecom, Elisa provides several other digital services, such as IPTV, cloud-based IT, and internet of things. Elisa is actively expanding its portfolio of adjacent products via international acquisitions as an important contributor to growth.

Financial Risk

In our view, Elisa displays a conservative leverage policy with net debt to EBITDA of 1.5x-2.0x and solid FOCF. It has adhered to its capex-to-sales target of about 12% (excluding spectrum and leasing) for many years, with moderate risk of unexpected and significant deviations. In the last five years, S&P Global Ratings-adjusted capex-to-sales ratio ranged from 12% to almost 14%, which we view as lower than that of many peers. This supports healthy FOCF, which compares favorably to that of western European telecom peers with similar business risk profiles.

Debt maturities

As of Dec. 31, 2024:

- 2025: €150 million
- 2026: €300 million
- 2027: €300 million
- Thereafter: About €400 million

Figures exclude finance leases, commercial paper, and revolving credit facilities (RCFs).

Elisa Oyj--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	1,844	1,895	1,998	2,130	2,181	2,192
EBITDA	663	684	697	739	758	765
Funds from operations (FFO)	570	598	604	642	653	645
Interest expense	23	20	16	16	30	41
Cash interest paid	24	18	17	13	24	33
Operating cash flow (OCF)	547	592	589	584	639	642
Capital expenditure	225	241	252	263	296	298
Free operating cash flow (FOCF)	322	351	337	321	343	344
Discretionary cash flow (DCF)	43	55	26	(7)	(0)	(16)
Cash and short-term investments	52	220	114	85	63	90
Gross available cash	52	220	114	85	63	90
Debt	1,211	1,229	1,235	1,291	1,313	1,490
Common equity	1,150	1,184	1,204	1,252	1,294	1,293
Adjusted ratios						
EBITDA margin (%)	36.0	36.1	34.9	34.7	34.8	34.9
Return on capital (%)	17.2	17.2	17.5	18.6	18.6	17.8
EBITDA interest coverage (x)	29.0	34.7	44.4	46.5	25.3	18.5
FFO cash interest coverage (x)	24.3	34.6	35.7	51.9	28.2	20.4
Debt/EBITDA (x)	1.8	1.8	1.8	1.7	1.7	1.9
FFO/debt (%)	47.0	48.7	48.9	49.7	49.7	43.3
OCF/debt (%)	45.2	48.2	47.7	45.2	48.7	43.1
FOCF/debt (%)	26.6	28.5	27.3	24.9	26.1	23.1
DCF/debt (%)	3.5	4.5	2.1	(0.6)	(0.0)	(1.1)

Reconciliation Of Elisa Oyj Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2024									

Reconciliation Of Elisa Oyj Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Company reported amounts	1,466	1,285	2,192	767	488	41	765	651	360	307
Cash taxes paid	-	-	-	-	-	-	(87)	-	-	-
Cash interest paid	-	-	-	-	-	-	(33)	-	-	-
Lease liabilities	97	-	-	-	-	-	-	-	-	-
Incremental lease liabilities	5	-	-	-	0	0	(0)	(0)	-	-
Postretirement benefit obligations/ deferred compensation	4	-	-	(1)	(1)	0	-	-	-	-
Accessible cash and liquid investments	(90)	-	-	-	-	-	-	-	-	-
Capitalized development costs	-	-	-	(8)	(8)	-	-	(8)	-	(8)
Share-based compensation expense	-	-	-	10	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	4	-	-	-	-	-
Noncontrolling/ minority interest	-	7	-	-	-	-	-	-	-	-
Debt: Guarantees	2	-	-	-	-	-	-	-	-	-
Debt: Contingent considerations	5	-	-	-	-	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(2)	(2)	-	-	-	-	-
Total adjustments	24	7	-	(2)	(7)	1	(120)	(9)	-	(8)
S&P Global Ratings adjusted	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from Operations	Operating cash flow	Dividends	Capital expenditure
	1,490	1,293	2,192	765	480	41	645	642	360	298

Liquidity

We assess liquidity as adequate because we expect its sources will cover uses by at least 1.2x over the 12 months from Dec. 31, 2024. We note that a significant portion of Elisa's funding frequently consists of commercial paper with terms shorter than 12 months. In our view, Elisa

has solid relationships with banks and benefits from a generally satisfactory standing in credit markets.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none">• Cash and liquid investments of about €63 million;• €300 million under undrawn long-term RCFs maturing in May 2028 and September 2028;• Cash funds from operations (FFO) of €620 million-€640 million; and• €100 million to refinance a Nordic Investment Bank loan.	<ul style="list-style-type: none">• Debt maturities of about €455 million over the next 12 months;• Annual committed and maintenance capex requirements of about €85 million; and• Dividend payments of about €380 million.

Issue Ratings--Subordination Risk Analysis

Capital structure

At the end of December 2024, except for about €96 million in lease liabilities, Elisa’s capital structure of €1,466 million consisted of senior unsecured debt: €896 million in bonds, €263 million loans from financial institutions, and €307 million commercial papers.

We assess the subordination risk for group-level creditors as limited and rate Elisa’s senior unsecured debt at the same level as the issuer credit rating.

Rating Component Scores	
Foreign currency issuer credit rating	BBB+/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2
Business risk	Satisfactory
Country risk	Very Low
Industry risk	Intermediate
Competitive position	Satisfactory
Financial risk	Modest
Cash flow/leverage	Modest
Anchor	bbb+
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	bbb+

Related Criteria

- HYPERLINK
"https://www.capitaliq.com/ciqdotnet/CreditResearch/SPResearch.aspx?ArtObjectId=101595597&ArtRevId=7"Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

European Telecoms Investment-Grade Portfolio How Credit Stories Unfolded, Feb. 11, 2025

Ratings Detail (as of April 15, 2025)*

Elisa Oyj	
Issuer Credit Rating	BBB+/Stable/A-2
Issuer Credit Ratings History	
18-Mar-2015	BBB+/Stable/A-2
17-Mar-2014	BBB/Positive/A-2
26-Oct-2006	BBB/Stable/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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